

PGDM-IBM, 2021-23 Batch
<Advance Risk Management>
<INS-401>

Trimester – IV, End-Term Examination: September 2022

Roll No: _____

Time allowed: 2 Hrs
Max Marks: 40

Instruction: Students are required to write Roll No on the cover page of the Answer Sheet. All other instructions on the question paper / Admit card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 4 questions with internal choices and all COs (Course Intended Learning Outcomes) covered in the Question Paper	4* 5	20
B	Compulsory Case Study	2*10	20
			40

SECTION A – (5 marks * 4 questions) = 20 Marks

A1 You are the newly appointed Risk Manager for XYZ plc. XYZ plc is a luxury resort chain with ten resorts in one country. Each resort has a rooms, cottages, dining and swimming pool. XYZ plc is considering purchasing a resort in an emerging market country in which they are not operating at present.

You have reviewed xyz plc's current risk register and found it to be outdated, there is no indication of which risks are the most significant. Explain, with justification, **two** significant risk types facing XYZ plc.
(CILO 1)

OR

A1 You are the Head of Internal Audit for ABC plc, a multi-national Bank. ABC plc has recently acquired a smaller regional banks that specialises in a service where ABC plc has no prior experience. ABC plc's practice is to undertake an internal audit of the risk management function of any new acquisition. Identify the major risk faced the Banks. (CILO1)

A2 You are the Risk Manager for a service company which has a contract with a town council. The service company delivers the following for the town council:

- Road and roadside maintenance.
- Refuse collection.
- The maintenance of public places, such as parks, sports facilities and play areas.
- The supplying of food for local schools.

A major storm caused damage and extensive disruption to a nearby town which disrupted the delivery of services by another town council. Therefore, you have been asked by your town council to review the management of the risks that arise from the delivery of the services. Explain, with justification, how you would apply **each** of the **five** stages of the 'risk management process' in delivering the town council's services.

OR

A2 You are a newly appointed risk manager for PE plc. PE plc is a UK-based petro-chemical company which operates a major refinery. You are reviewing the risk exposures of the refinery which has the following features:

- It is located near a large town.
- It is adjacent to a main railway line and motorway junction.
- It is a major supplier of aviation fuel.
- 300 people are employed directly plus 100 sub-contractors.

After reviewing the risk exposures, you find that PE plc has comprehensively identified individual risks for each of the above features. However, PE plc has not analysed the potential impact of a major incident involving two or more of the above features. Create a Bow tie and KPI Metrix for the Plant. (CILO 2)

A3 You are the Risk Manager for a Baby shampoo and Powder manufacturing company who specialise in baby product. Explain in detail the adoption of touchless claim model by insurance companies in flight delay claim process using technology and analytics. Following a fault in the manufacturing process, a harmful ingredient was accidentally added to the product. The powder has led to allergy to many users and now they are filing cases against the company. Explain three action to mitigate the risk.

OR

A3 You are the Risk Manager for an energy generation company. Given the potential for a major loss event, the company has historically invested heavily in risk management. You have a large team in your department to support risk management activities. The company has robust risk management procedures in place.

However, following poor results and increased competition from its competitors, the company is now looking to cut costs. One of the areas where the Board is considering cost cutting measures is by reducing employee numbers within your risk management department. Explain, with justification, **two** potential risk management consequences if your department is made to reduce its employee numbers. (CILO3)

A4 Risk appetite and Risk Tolerance are very important for ERM implementation. You are in process of Implementing ERM framework for the University. Clearly stated the risk appetite and risk tolerance statements for the university

OR

A4 A risk management program must be implemented and periodically monitored to be effective. Although the value proposition for insurance company is to take risk of others but insurance companies also need the risk framework. Explain the line of defence insurance company should adopt for risk management.

(CILO 4)

SECTION B – CASE STUDY

Sunshine Ltd. is a software company specialized in the software development for their clients. In the last decade it has earned a good name and fame. For example, a super critical boiler in a thermal power plant takes 10-12 days to be fine-tuned or synchronized. It means system is shut for power generation and lead to loss of millions of dollars. Sunshine Ltd. came up with a solution that cuts the time taken to synchronize a boiler from 10-12 days to 3-4 days through the use of software and services of IT Professionals. The main strength of Sunshine is the IT professional they employed with it.

It captured data through sensors on the boilers, use the algorithm built in house to check nearly 240 parameters and over 10,000 combinations to tune the boiler.

It also helped a global heating, ventilation and air conditioning firm to bring down the time taken to design an AC solution in a building or office from 9 days to just 2 hours now.

However, traditional outsourcing business of Sunshine Ltd is dying a slow death as clients cutting their budgets on such services and shifting their focus on newer areas such as digital and cloud.

Three-fourth of the revenue of Sunshine Ltd is from traditional services. However, half of its revenue still comes from fixed price projects which allow it the flexibility to determine the resources it deploys and use software tools to deliver services. Now, the aim is to increase that goal by reducing the dependency on people and more on software led services which coincide with its goal of IT Modernization.

Sunshine Ltd. derives a major portion of its revenues from customers discretionary spending which is linked to their business outlook. Its major revenues are from UK, USA and other European countries.

Some draft legislations in USA has been made to restrict the availability of work visas. Such protectionist policies threaten the prospect of global mobility of people which may also affect the work of Sunshine Ltd. as distributed software development requires free movement of people.

Appreciation of the rupee against any major currency results in the revenue denominated in that currency to appear lesser in reported terms. Then, there may be different exchange rate when sale took place and when invoice is collected.

The Internal Financial Control System

The internal Financial Control System of Sunshine Ltd. has been laid down as below:

- Recording and providing reliable financial and operation information.
- Safeguarding assets.
- Ensuring compliance with corporate policies.
- Well defined delegation of power.
- Efficient ERP system.
- Internal audit by one of the big audit firm.
- Periodic audit by specialized third party consultants.
- Audit Committee found internal financial control adequate.

A. Questions

- (1)** Do the SWOT Analysis of the company. **(10 Marks)**
- (2)** Explain the political Risk faced by the company. **(10 Marks)**